

Financial Statements of

**JUSTICE INSTITUTE OF BRITISH COLUMBIA**

Year ended March 31, 2007



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## **AUDITORS' REPORT TO THE BOARD OF GOVERNORS**

We have audited the statement of financial position of Justice Institute of British Columbia (the "Institute") as at March 31, 2007 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Accountants

Vancouver, Canada

May 11, 2007

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Statement of Financial Position

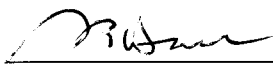
March 31, 2007, with comparative figures for 2006

	<u>2007</u>	<u>2006</u>
		(Restated - note 11)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,994,033	\$ 7,650,568
Accounts receivable and prepaids	3,571,051	5,296,332
	<u>11,565,084</u>	<u>12,946,900</u>
Capital assets (note 3) (CP)	<u>37,304,701</u>	<u>36,479,532</u>
	<u>\$ 48,869,785</u>	<u>\$ 49,426,432</u>
 <b>Liabilities and Fund Balances</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,519,384	\$ 3,482,676
Employee benefits payable (note 4)	713,767	749,922
Deferred revenue	4,177,708	6,351,909
	<u>8,410,859</u>	<u>10,584,507</u>
Deferred lease costs - long-term (note 5)	55,232	73,677
Deferred capital contributions (note 6)	27,689,982	27,353,640
	<u>36,156,073</u>	<u>38,011,824</u>
Net assets:		
Unrestricted	2,381,916	1,221,112
Invested in capital assets (note 3)	10,331,796	10,193,496
	<u>12,713,712</u>	<u>11,414,608</u>
	<u>\$ 48,869,785</u>	<u>\$ 49,426,432</u>

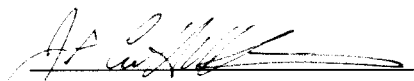
Commitments (note 7)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Governor



Governor

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Statement of Operations and Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Operating Fund	Capital Fund	2007	2006 (Restated - note 11)
<b>Revenue:</b>				
Province of British Columbia:				
Grants	\$ 9,614,066	\$ -	\$ 9,614,066	\$ 9,119,672
Contracts	7,465,554	-	7,465,554	7,118,868
Tuition (note 9)	9,589,730	-	9,589,730	9,473,456
Contract services (note 9)	10,210,933	-	10,210,933	9,238,871
Interest	361,196	-	361,196	137,660
Other	1,342,193	-	1,342,193	1,235,545
Contribution on dissolution of joint venture (note 11)	151,289	-	151,289	-
Amortization of deferred capital contributions (note 6)	-	1,225,690	1,225,690	1,253,914
	<u>38,734,961</u>	<u>1,225,690</u>	<u>39,960,651</u>	<u>37,577,986</u>
<b>Expenses:</b>				
Advertising and promotion	515,317	-	515,317	644,414
Contract instruction and program development	5,620,729	-	5,620,729	5,381,757
Facilities and equipment	4,010,486	-	4,010,486	4,060,613
Professional services	1,291,360	-	1,291,360	1,037,134
Salaries and employee benefits	21,183,549	-	21,183,549	19,630,340
Staff travel	850,881	-	850,881	894,260
Student travel and activities	966,195	-	966,195	1,044,640
Supplies - instructional	1,395,873	-	1,395,873	1,659,212
Supplies - office	445,040	-	445,040	430,667
Other	626,728	-	626,728	636,104
Amortization of capital assets	-	1,755,389	1,755,389	1,810,982
	<u>36,906,158</u>	<u>1,755,389</u>	<u>38,661,547</u>	<u>37,230,123</u>
Excess (deficiency) of revenue over expenses	1,828,803	(529,699)	1,299,104	347,863
<b>Net assets, beginning of year:</b>				
As previously reported	1,221,112	10,193,496	11,414,608	10,999,694
Prior period adjustment (note 11)	-	-	-	67,051
As restated	<u>1,221,112</u>	<u>10,193,496</u>	<u>11,414,608</u>	<u>11,066,745</u>
Investment in capital assets (note 3)	<u>(667,999)</u>	<u>667,999</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,381,916</u>	<u>\$ 10,331,796</u>	<u>\$ 12,713,712</u>	<u>\$ 11,414,608</u>

See accompanying notes to financial statements.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

## Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	<u>2007</u>	<u>2006</u>
		(Restated - note 11)
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,299,104	\$ 347,863
Items not involving cash:		
Amortization of capital assets	1,755,389	1,810,982
Amortization of deferred lease costs	(18,445)	(18,445)
Amortization of deferred capital contributions	<u>(1,225,690)</u>	<u>(1,253,914)</u>
	1,810,358	886,486
Change in non-cash operating accounts:		
Accounts receivable and prepaids	1,725,281	1,031,339
Accounts payable and accrued liabilities	36,708	792,762
Employee benefits payable	(36,155)	122,283
Deferred revenue	<u>(2,174,201)</u>	<u>1,998,524</u>
	1,361,991	4,831,394
Investments:		
Cash provided by operations of PTEC (note 11)	-	67,051
Purchase of capital assets	<u>(2,580,558)</u>	<u>(2,516,774)</u>
	(2,580,558)	(2,449,723)
Financing:		
Deferred capital contributions received	<u>1,562,032</u>	<u>2,219,565</u>
Increase in cash and cash equivalents	343,465	4,601,236
Cash and cash equivalents, beginning of year	<u>7,650,568</u>	<u>3,049,332</u>
Cash and cash equivalents, end of year	<u>\$ 7,994,033</u>	<u>\$ 7,650,568</u>

Cash and cash equivalents consist of cash and short-term investments with a maturity date of less than ninety days from acquisition.

See accompanying notes to financial statements.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2007

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## 1. Purpose of the Institute:

The Justice Institute of British Columbia (the "Institute") is a post-secondary educational institution established in 1978 by the Province of British Columbia (the "Province") under the provisions of the College and Institute Act. The Institute is exempt from income tax under the Income Tax Act. The mission of the Institute is to provide learning opportunities for practitioners and the public that lead to improved justice and public safety services, and safer communities.

## 2. Significant accounting policies:

### (a) Basis of presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

To ensure observance of limitations and restrictions placed on the use of resources available to the Institute, such resources are classified for accounting and reporting purposes into funds according to the activities or objectives specified.

Revenue and expenses relating to ongoing delivery and administration activities are reported in the Operating Fund.

Revenue and expenses relating to capital assets are reported in the Capital Fund.

### (b) Capital assets:

Capital assets are recorded at cost. Any unamortized balance is written off when the asset is disposed of or no longer used by the Institute. Amortization is provided on a straight-line basis over the useful lives of the assets as follows:

<u>Asset</u>	<u>Rate</u>
Site improvements	10 years straight-line
Buildings	40 years straight-line
Furniture, equipment and vehicles (including computer equipment)	5 years straight-line
Personal computer equipment and peripherals	3 years straight-line
Leasehold improvements	lease term straight-line

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2007

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## 2. Significant accounting policies (continued):

### (c) Revenue recognition:

The Institute follows the deferral method of accounting for contributions.

Contributions from the Province are recognized as follows:

- “Base” funding contributions are recognized as revenue in the year in which the contributions are received or receivable.
- “Other” funding contributions are recognized as revenue in the year in which the related expenses are incurred.

Tuition fees are recognized as revenue when the course commences. Fees received prior to the year end where the course is delivered subsequent to the year end are recorded as deferred revenue.

Contract services revenue is recognized to the extent of costs incurred, until such time as the contract is complete. When a contract is complete and all expenses incurred, the excess of fees over expenses is recognized as revenue in the sponsoring academy/division. Projected losses are recognized in the period the loss is determined and can be reasonably estimated.

Contributions received for capital asset acquisitions are recorded as deferred capital contributions and recognized as revenue on the same basis as the related capital assets are depreciated. Contributions of or relating to the acquisition of non-depreciable assets are recognized as direct increases in net assets when received.

Contributions, tuition fees and contract services are recognized as revenue in accordance with the applicable recognition criteria above when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### (d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Areas of significant estimates include useful lives of capital assets for amortization and employee benefits payable. Actual results could differ from these estimates.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2007

### 3. Capital assets and net assets invested in capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
				(Restated - note 11)
Land	\$ 6,660,137	\$ -	\$ 6,660,137	\$ 6,660,137
Buildings	34,334,218	8,094,841	26,239,377	25,904,189
Furniture, equipment and vehicles	3,028,646	1,326,514	1,702,132	1,519,652
Personal computer equipment	537,762	196,694	341,068	313,737
Leasehold Improvements	466,445	128,805	337,640	404,275
Site improvements	3,205,398	1,181,051	2,024,347	1,677,542
	<u>\$ 48,232,606</u>	<u>\$ 10,927,905</u>	<u>\$ 37,304,701</u>	<u>\$ 36,479,532</u>

Included in deferred capital contributions at March 31, 2007 is \$717,076 (2006 - \$1,067,604) of unspent contributions designated for specific types of capital purchases.

Net assets invested in capital assets are calculated as follows:

	2007	2006
		(Restated - note 11)
Capital assets	\$ 37,304,701	\$ 36,479,532
Amounts funded by deferred capital contributions, net of unspent contributions	(26,972,905)	(26,286,036)
Balance, end of year	<u>\$ 10,331,796</u>	<u>\$ 10,193,496</u>

Changes in net assets invested in capital assets are calculated as follows:

	2007	2006
		(Restated - note 11)
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 1,225,690	\$ 1,253,914
Amortization of capital assets	(1,755,389)	(1,810,982)
	<u>\$ (529,699)</u>	<u>\$ (557,068)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 2,580,558	\$ 2,516,774
Capital contributions spent	(1,912,559)	(1,774,353)
	<u>\$ 667,999</u>	<u>\$ 742,421</u>



# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2007

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## 4. Employee future benefits:

### (a) Pensions:

The Institute and its employees contribute to the College Pension Plan and Municipal Pension Plan, jointly trusted pension plans. The boards of trustees for these plans represent plan members and employers and are responsible for the management of the pension plans including investment of the assets and administration of the benefits. The pension plans are multi-employer contributory defined benefit pension plans. The College Pension Plan has about 11,000 active contributors from college senior administration and instructional staff and approximately 3,200 retired members. The Municipal Pension Plan has about 130,000 contributors, with approximately 4,900 from colleges.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and the adequacy of the plan funding. The most recent valuation for the College Pension Plan as at August 31, 2003 indicated a funding shortfall of \$50 million for basic pension benefits. The next valuation will be as at August 31, 2006 with results available in 2007. The most recent valuation for the Municipal Pension Plan as at December 31, 2003 indicated an unfunded liability of \$789 million for basic pension benefits. The next valuation will be as at December 31, 2006 with results available in 2007. The actuary does not attribute portions of the shortfall to individual employers.

The Institute records pension expense as cash contributions to the plans are made. During the year, the Institute contributed \$983,431 (2006 - \$903,318) to the above plans.

### (b) Other employee benefits:

The Institute accrues vacation and retirement entitlements for employees as earned. However, funding for these is not accrued, as the Province does not provide special funding for vacations and retiring allowances. As the majority of employees are paid salaries, management anticipates that vacation accruals will be reversed when these employees take their standard vacations and that no additional funding will be required above authorized salaries.

Employees who are members of the BC Government and Services Employees' Union are entitled to earned benefits related to retirement allowances. The liability and expense for these post-employment benefits is recognized in the financial statements in the period in which employees render services and on the basis that the benefits are expected to be provided when the employees are no longer providing active service.

In 2005, the Institute engaged the services of an actuarial firm to evaluate its employee future benefits plans. As a result of this estimate, employee future benefit expenses relating to retirement allowances of \$14,671 have been recorded in the year (2006 - \$99,100).

The Institute has accrued future obligations for all post-employment benefits using the projected benefits method prorated on service. The retirement allowance benefits are unfunded.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2007

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## 4. Employee future benefits:

(b) Other employee benefits (continued):

The Institute records actuarial gains and losses in the period they arise.

The liabilities reported in 2007 are based on an actuarial valuation as at March 31, 2005, updated to March 31, 2007, using the following valuation assumptions:

	2007	2006
Discount rate	4.5%	4.5%
Inflation rate	2.5	2.5
Rate of compensation increase	3.75	3.75

Employee benefits payable as at March 31, 2007 are as follows:

	2007	2006
Retirement allowances	\$ 171,671	\$ 157,000
Vacation	542,096	592,922
	<u>\$ 713,767</u>	<u>\$ 749,922</u>

## 5. Deferred lease costs:

Total payments under an operating lease for the premises at Suite 101, 910 Government Street, Victoria are recorded as an expense on a straight-line basis over the term of the lease. As part of this lease, an inducement of \$119,840 was received during fiscal 2004. The amount of the inducement is being credited to the statement of operations on a straight-line basis over the term of the lease, being seven years.

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2007

## 6. Deferred capital contributions:

	2007	2006
Balance, beginning of year	\$ 27,353,640	\$ 26,387,989
Capital contributions received during the year	1,562,032	2,219,565
	28,915,672	28,607,554
Amortization	1,225,690	1,253,914
Balance, end of year	\$ 27,689,982	\$ 27,353,640

## 7. Commitments:

The Institute has operating lease commitments for facilities, computer and office equipment and vehicles as follows:

2008	\$ 734,864
2009	535,447
2010	271,810
2011	63,950
2012	3,480

## 8. Related organization:

Justice Institute of BC Foundation (the "Foundation"):

The Foundation was formed to raise funds for furthering the interests of the Institute. The net assets and results of operations of the Foundation have not been included in these financial statements.

The balance due to the Foundation at March 31, 2007 is \$510 (2006 - \$nil).

During 2007, the Foundation contributed \$115,148 (2006 - \$60,489) in awards and transferred \$nil (2006 - \$13,000) in gifts in kind to the Institute. Administrative services, including salary costs, amounting to approximately \$245,648 (2006 - \$176,062) were provided to the Foundation by the Institute on a no charge basis.

The following is a summary of financial statements of the Foundation for the year ended December 31, 2006 and 2005:

	2006	2005
Total assets	\$ 826,502	\$ 681,713
Total liabilities	-	-
Net assets	\$ 826,502	\$ 681,713
Total revenues	\$ 269,937	\$ 300,638
Total expenses	125,148	186,877

# JUSTICE INSTITUTE OF BRITISH COLUMBIA

Notes to Financial Statements

Year ended March 31, 2007

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## 9. Tuition and contract services:

Tuition and contract services revenue includes approximately \$2.25 million (2006 - \$3.7 million) in services performed for the Province.

## 10. Financial instruments:

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and vacation payable (note 4) approximate their fair value due to their short-term nature. The carrying value of the retirement allowance payable (note 4) is based on an actuarial valuation.

## 11. Prior period adjustment:

On April 1, 2006, the Pacific Traffic Education Centre ("PTEC"), previously a joint venture between the Institute and the Insurance Corporation of British Columbia ("ICBC"), was dissolved. The operations of PTEC became part of the Institute and are included in the statement of operations for the year ended March 31, 2007. ICBC's portion of the joint venture net assets at March 31, 2006 is recorded as a contribution to the Institute in 2007 on the statement of operations and net assets.

As a result, for comparison purposes, the March 31, 2006 figures have been restated to include the Institute's 50% portion of PTEC's assets, liabilities, net assets and results of operations as at and for the year ended March 31, 2006, as follows:

	<u>2006</u>
Assets	\$ 162,730
Liabilities	11,441
Net assets	67,051
Excess of revenues over expenses	84,238

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